

We must abandon the method of civil disobedience, non-cooperation and satyagraha. When there was no way left for constitutional methods for achieving economic and social objectives, there was a great deal of justification for unconstitutional methods. But where constitutional methods are open, there can be no justification for these unconstitutional methods. These methods are nothing but **The Grammar of Anarchy** and the sooner they are abandoned, the better for us.

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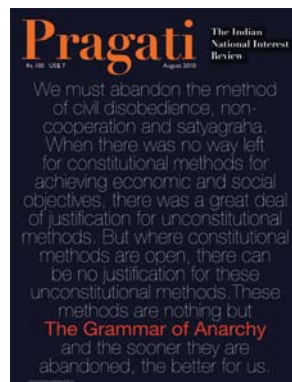
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A time to Party!

Dethroning socialism from the
Indian political pedestal

politics

Recently, the Supreme Court dismissed a public interest litigation (PIL) that questioned the validity of the 42nd amendment to the Indian Constitution, which among many other things, added the terms “socialist, secular” to qualify the democratic republic in the Preamble. The amendment dates back to 1976, to the dark days of Emergency. Later, the Representation of the People Act, the law governing political parties and elections, was further amended to include the section 29A, making it mandatory for all political parties in India to affirm to “socialism” if they were to be registered by the Election Commission of India for the purpose of participating in the electoral process.

The courts always dismiss petitions before them once they pronounce a particular judgment. In this case, however, the Supreme Court acknowledged the “academic” question raised in the petition, but felt that since no political party has so far objected to it, there are perhaps no really aggrieved parties. So it allowed the petitioner to “withdraw” the petition. This withdrawal, however, means that the Court has not ruled against the issue, but considers it to be valid, and has kept it open for a future occasion.

The champions of individual freedom in economic and political spheres have long bemoaned the fact that there is no political platform in India that truly reflects their aspirations. No doubt there are liberals of different shades in almost all political parties, but still there are no avowedly liberal political parties.

BARUN S MITRA

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Political parties are plentiful, with around 50 parties represented in the national parliament, and hundreds of parties operating at state and local levels. They represent a diverse range of interests: national, state, regional or local. They claim to represent varied sections of society based on national, ethnic, linguistic, religious, caste, and other identities. Yet, the political ideals on offer are very limited, as all parties are bound by socialism if they are to participate in electoral politics. Incidentally, independent candidates are not required to affirm to socialism, and if elected have only to take oath to uphold the Constitution. One of the reasons for this limited range of political options in the largest and the most vibrant democracy in the world, is the law that requires affirmation to socialism.

By legally restricting the political ideology to “socialism”, a couple of serious anomalies have been created. Having introduced “socialism” through the

Political ideologies are simple tool by which people decide on the general direction they think society ought to take.

political and constitutional process, it is now being implied that “socialism” cannot be opposed and removed by the very same constitutional process. How can one mount a political campaign calling for the removal of “socialism” in the election law or in the Constitution, after having affirmed to “socialism” as a political ideal?

Secondly, what does socialism mean? The Constitution does not define it. The judges hearing the PIL commented that the meaning could vary. But could “socialism” include feudalism, imperialism, fascism, Nazism (national socialism), communism, capitalism, and everything else? If it does have such a wide range of meanings, why have it at all? The judiciary spends a lot of effort on interpreting the law by trying to precisely define the words in it. Justice would come to an end if words were given such variable meanings.

The Supreme Court has seen this as an “academic” exercise. But the impact of “socialism” in the Constitution and in the election law raises questions about possible violation of fundamental rights such as freedom of

expression, freedom of association, and basic structure doctrine. If democracy is among the sacrosanct elements articulated in the judgments on basic structure, then what good is democracy where political discourse is limited exclusively to one political ideology?

Political ideologies matter in shaping public opinion and policies. The stated goal of all political action may be to improve general welfare: But it is the ideology that provides the vision, and determines the direction and nature of the policies that are designed. Policy decisions whether to nationalise an industry or economic sector, or to privatise it, are shaped much more by political ideologies, than by hard core technical analysis of the merits of the proposed policy measures. In a democracy, people and leaders are not experts in all fields. Political ideologies come as a simple tool by which people decide on the general direction they think society ought to take, and the merits of specific public policies.

There is no functioning democracy in the world which restrains the space for peacefully competing political ideologies, except perhaps Germany, where there is some restriction on propagation of Nazi ideology. In every major democracy, the political ideology that is most successful in reflecting the aspirations of the large number of people at any given time, changes the political dynamics during elections. From Ronald Reagan to Barack Obama, from Margaret Thatcher to Tony Blair, the fortunes of political leaders and their parties have swung with the popular perception of the political ideologies of the time. This is what makes democracy such a potent political tool, and ensures the political survival of the society through the various competing ideologies.

The Constituent Assembly had deliberated at length on this very question of “socialism” in 1949. Even while acknowledging that there are many provisions in the Constitution that are socialistic in nature, the constitution makers had decided not to tie the hands of the future generations to a particular political idea. No less a person than Dr B R Ambedkar, the chairman of the drafting committee had then said,

“What should be the policy of the state, how society should be organised in its social and economic side are matters which must be decided by the people themselves according to time and circumstances. It cannot be laid down in the Constitution itself, because that is destroying democracy altogether ...”

If democracy is one of the basic features of the Constitution, then restricting it to one political ideology, is clearly a violation of the basic feature doctrine. What

would be a democracy, where political parties are not free to fly their particular ideologies, and compete with each other in an attempt to peacefully persuade the citizens to one vision or another?

Swatantra Party Maharashtra—the inheritors of the mantle of the Swatantra Party, founded by stalwarts like C Rajagopalachari, Minoo Masani and others in 1959—had written to the Election Commission of India in 1994, noting their opposition to the ideas of socialism, and their inability to affirm to socialist ideals. The Commission had replied by pointing at the amendment to the section 29A of the Representation of the People Act which mandates affirmation to socialism. It thus acknowledged that its role is to implement the law as it stands, not to change or reinterpret it.

By acknowledging the “academic” nature of the question in the PIL, the Supreme Court has actually opened a door for the political liberals to come out of the woodwork. Now is the time for the liberals to come together and form a political party, with the

sole objective of registering their opposition to the affirmation to socialist ideal. After forming the political party, an application to the Election Commission for registration needs to be filed, even though it is likely to be rejected for not meeting the legal requirement. That would enable the party to go to the Supreme Court and seek redressal of a legitimate and real grievance.

Liberals may not yet be a political force to have an electoral impact in India, but by forming a party with this narrow objective, can leave a permanent imprint on the political future of democratic republic of India. This is not an exclusively liberal cause, though, and it is open to all shades of political opinion. If one ideology enjoys legal sanction today, then tomorrow another could very easily be banned. Putting democracy in a straitjacket will signal the end of political freedom.

All are welcome to the Party of the free and the brave! If the political space can be legitimately opened up, then the political agenda would have to change too, and then the electoral space will inevitably follow. ■

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Photo: Paroma Basu



The grammar of anarchy

Who can say how the people of India and their political parties will behave?



Photo: John Roberts

B R AMBEDKAR

As much defence as could be offered to the Constitution has been offered by my friends Sir Alladi Krishnaswami Ayyar and Mr T T Krishnamachari, I shall not therefore enter into the merits of the Constitution. Because I feel, however good a Constitution may be, it is sure to turn out bad because those who are called to work it, happen to be a bad lot. However bad a Constitution may be, it may turn out to be good if those who are called to work it, happen to be a good lot. The working of a Constitution does not depend wholly upon the nature of the Constitution. The Constitution can provide only the organs of State such as the Legislature, the Executive and the Judiciary. The factors on which the working of those organs of the State depend are the people and the political parties they will set up as their instruments to carry out their wishes and their politics. Who can say how the people of India and their parties will behave? Will they uphold constitutional methods of achieving their purposes or will they prefer revolutionary methods of achieving them? If they adopt the revolutionary methods, however good the

This is an excerpt of the concluding speech B R Ambedkar delivered as Chairman of the Constitution Drafting Committee on the floor of the Constituent Assembly on November 26, 1949.

Constitution may be, it requires no prophet to say that it will fail. It is, therefore, futile to pass any judgement upon the Constitution without reference to the part which the people and their parties are likely to play.

The condemnation of the Constitution largely comes from two quarters, the Communist Party and the Socialist Party. Why do they condemn the Constitution? Is it because it is really a bad Constitution? I venture to say 'no'. The Communist Party want a Constitution based upon the principle of the Dictatorship of the Proletariat. They condemn the Constitution because it is based upon parliamentary democracy. The Socialists want two things. The first thing they want is that if they come in power, the Constitution must give them the freedom to nationalise or socialise all private property without payment of compensation. The second thing that the

If political parties place creed above country, India's independence will be put in jeopardy.

Socialists want is that the Fundamental Rights mentioned in the Constitution must be absolute and without any limitations so that if their Party fails to come into power, they would have the unfettered freedom not merely to criticise, but also to overthrow the State.

No right to bind succeeding generations

These are the main grounds on which the Constitution is being condemned. I do not say that the principle of parliamentary democracy is the only ideal form of political democracy. I do not say that the principle of no acquisition of private property without compensation is so sacrosanct that there can be no departure from it. I do not say that Fundamental Rights can never be absolute and the limitations set upon them can never be lifted. What I do say is that the principles embodied in the Constitution are the views of the present generation or if you think this to be an over-statement, I say they are the views of the members of the Constituent Assembly. Why blame the Drafting Committee for embodying them in the Constitution? I say why blame even the Members of the Constituent Assembly? Jefferson, the great American

statesman who played so great a part in the making of the American constitution, has expressed some very weighty views which makers of Constitution, can never afford to ignore. In one place he has said: "We may consider each generation as a distinct nation, with a right, by the will of the majority, to bind themselves, but none to bind the succeeding generation, more than the inhabitants of another country."

In another place, he has said:

"The idea that institutions established for the use of the nation cannot be touched or modified, even to make them answer their end, because of rights gratuitously supposed in those employed to manage them in the trust for the public, may perhaps be a salutary provision against the abuses of a monarch, but is most absurd against the nation itself. Yet our lawyers and priests generally inculcate this doctrine, and suppose that preceding generations held the earth more freely than we do; had a right to impose laws on us, unalterable by ourselves, and that we, in the like manner, can make laws and impose burdens on future generations, which they will have no right to alter; in fine, that the earth belongs to the dead and not the living;"

I admit that what Jefferson has said is not merely true, but is absolutely true. There can be no question about it. Had the Constituent Assembly departed from this principle laid down by Jefferson it would certainly be liable to blame, even to condemnation. But I ask, has it? Quite the contrary. One has only to examine the provision relating to the amendment of the Constitution...I challenge any of the critics of the Constitution to prove that any Constituent Assembly anywhere in the world has, in the circumstances in which this country finds itself, provided such a facile procedure for the amendment of the Constitution. If those who are dissatisfied with the Constitution have only to obtain a 2/3 majority and if they cannot obtain even a two-thirds majority in the parliament elected on adult franchise in their favour, their dissatisfaction with the Constitution cannot be deemed to be shared by the general public.

The danger of divisive politics

[But] my mind is so full of the future of our country that I feel I ought to take this occasion to give expression to some of my reflections thereon. On 26th January 1950, India will be an independent country. What would happen to her independence? Will she maintain her independence or will she lose it again? This is the first thought that comes to my mind. It is not that India was never an

independent country. The point is that she once lost the independence she had. Will she lose it a second time? It is this thought which makes me most anxious for the future. What perturbs me greatly is the fact that not only India has once before lost her independence, but she lost it by the infidelity and treachery of some of her own people. In the invasion of Sind by Mahommed-Bin-Kasim, the military commanders of King Dahar accepted bribes from the agents of Mahommed-Bin-Kasim and refused to fight on the side of their king. It was Jaichand who invited Mahommed Ghori to invade India and fight against Prithvi

We must abandon the method of civil disobedience, non-cooperation and *satyagraha*.

Raj and promised him the help of himself and the Solanki kings. When Shivaji was fighting for the liberation of Hindus, the other Maratha noblemen and the Rajput kings were fighting the battle on the side of Mughul Emperors. When the British were trying to destroy the Sikh Rulers, Gulab Singh, their principal commander sat silent and did not help to save the Sikh Kingdom. In 1857, when a large part of India had declared a war of independence against the British, the Sikhs stood and watched the event as silent spectators.

Will history repeat itself? It is this thought which fills me with anxiety. This anxiety is deepened by the realisation of the fact that in addition to our old enemies in the form of castes and creeds we are going to have many political parties with diverse and opposing political creeds. Will Indians place the country above their creed or will they place creed above country? I do not know. But this much is certain that if the parties place creed above country, our independence will be put in jeopardy a second time and probably be lost for ever. This eventuality we must all resolutely guard against. We must be determined to defend our independence with the last drop of our blood.

The importance of constitutional methods

On the 26th of January 1950, India would be a democratic country in the sense that India from that day would have a government of the people, by the people and for the people. The same thought comes to my mind. What

would happen to her democratic Constitution? Will she be able to maintain it or will she lose it again. This is the second thought that comes to my mind and makes me as anxious as the first.

It is not that India did not know what is democracy. There was a time when India was studded with republics, and even where there were monarchies, they were either elected or limited. They were never absolute. It is not that India did not know Parliaments or parliamentary procedure. A study of the Buddhist Bhikshu Sanghas discloses that not only there were Parliaments—for the Sanghas were nothing but Parliaments—but the Sanghas knew and observed all the rules of parliamentary procedure known to modern times...Although these rules of parliamentary procedure were applied by the Buddha to the meetings of the Sanghas, he must have borrowed them from the rules of the political assemblies functioning in the country in his time.

This democratic system India lost. Will she lose it a second time? I do not know. But it is quite possible in a country like India—where democracy from its long disuse must be regarded as something quite new—there is danger of democracy giving place to dictatorship. It is quite possible for this new born democracy to retain its form but give place to dictatorship in fact. If there is a landslide, the danger of the second possibility becoming actuality is much greater.

If we wish to maintain democracy not merely in form, but also in fact, what must we do? The first thing in my judgement we must do is to hold fast to constitutional methods of achieving our social and economic objectives. It means we must abandon the bloody methods of revolution. It means that we must abandon the method of civil disobedience, non-cooperation and *satyagraha*. When there was no way left for constitutional methods for achieving economic and social objectives, there was a great deal of justification for unconstitutional methods. But where constitutional methods are open, there can be no justification for these unconstitutional methods. These methods are nothing but the Grammar of Anarchy and the sooner they are abandoned, the better for us.

The politics of pedestals

The second thing we must do is to observe the caution which John Stuart Mill has given to all who are interested in the maintenance of democracy, namely, not “to lay their liberties at the feet of even a great man, or to trust him with power which enable him to subvert their institutions.” There is nothing wrong in being grateful to

great men who have rendered life-long services to the country. But there are limits to gratefulness. As has been well said by the Irish Patriot Daniel O'Connell, no man can be grateful at the cost of his honour, no woman can be grateful at the cost of her chastity and no nation can be grateful at the cost of its liberty. This caution is far more necessary in the case of India than in the case of any other country. For in India, Bhakti or what may be called the path of devotion or hero-worship, plays a part in its politics unequalled in magnitude by the part it plays in the politics of any other country in the world. Bhakti in religion may be a road to the salvation of the soul. But in politics, Bhakti or hero-worship is a sure road to degradation and to eventual dictatorship.

Social democracy

The third thing we must do is not to be content with mere political democracy. We must make our political democracy a social democracy as well. Political democracy cannot last unless there lies at the base of it social democracy. What does social democracy mean? It means a way of life which recognises liberty, equality and fraternity as the principles of life. These principles of liberty, equality and fraternity are not to be treated as separate items in a trinity. They form a union of trinity in the sense that to divorce one from the other is to defeat the very purpose of democracy. Liberty cannot be divorced from equality, equality cannot be divorced from liberty. Nor can liberty and equality be divorced from fraternity. Without equality, liberty would produce the supremacy of the few over the many. Equality without liberty would kill individual initiative. Without fraternity, liberty would produce the supremacy of the few over the many. Equality without liberty would kill individual initiative. Without fraternity, liberty and equality could not become a natural course of things. It would require a constable to enforce them.

We must begin by acknowledging the fact that there is complete absence of two things in Indian society. One of these is equality. On the social plane, we have in India a society based on the principle of graded inequality which we have a society in which there are some who have immense wealth as against many who live in abject poverty. On the 26th of January 1950, we are going to enter into a life of contradictions. In politics we will have equality and in social and economic life we will have inequality. In politics we will be recognising the principle of one man one vote and one vote one value. In our social and economic life, we shall, by reason of

our social and economic structure, continue to deny the principle of one man one value. How long shall we continue to live this life of contradictions? How long shall we continue to deny equality in our social and economic life? If we continue to deny it for long, we will do so only by putting our political democracy in peril. We must remove this contradiction at the earliest possible moment or else those who suffer from inequality will blow up the structure of political democracy which this Assembly has so laboriously built up.

The second thing we are wanting in is recognition of the principle of fraternity. What does fraternity mean? Fraternity means a sense of common brotherhood of all Indians-if Indians being one people. It is the principle which gives unity and solidarity to social life. It is a difficult thing to achieve...

Without equality, liberty would produce the supremacy of the few over the many. Equality without liberty would kill individual initiative.

To build a nation

I remember the days when politically-minded Indians, resented the expression "the people of India". They preferred the expression "the Indian nation." I am of opinion that in believing that we are a nation, we are cherishing a great delusion. How can people divided into several thousands of castes be a nation? The sooner we realise that we are not as yet a nation in the social and psychological sense of the world, the better for us. For then only we shall realise the necessity of becoming a nation and seriously think of ways and means of realising the goal. The realisation of this goal is going to be very difficult...The castes are anti-national. In the first place because they bring about separation in social life. They are anti-national also because they generate jealousy and antipathy between caste and caste. But we must overcome all these difficulties if we wish to become a nation in reality. For fraternity can be a fact only when there is a nation. Without fraternity, equality and liberty will be no



Photo: McKay Savage

deeper than coats of paint.

These are my reflections about the tasks that lie ahead of us. They may not be very pleasant to some. But there can be no gainsaying that political power in this country has too long been the monopoly of a few and the many are only beasts of burden, but also beasts of prey. This

In India, devotion or hero-worship, plays a part in its politics unequalled in magnitude in any other country in the world.

monopoly has not merely deprived them of their chance of betterment, it has sapped them of what may be called the significance of life. These down-trodden classes are tired of being governed. They are impatient to govern themselves. This urge for self-realisation in the down-trodden classes must not be allowed to devolve into a class struggle or class war. It would lead to a division of the House. That would indeed be a day of disaster. For, as has been well said by Abraham Lincoln, a House divided against itself cannot

stand very long. Therefore the sooner room is made for the realisation of their aspiration, the better for the few, the better for the country, the better for the maintenance for its independence and the better for the continuance of its democratic structure. This can only be done by the establishment of equality and fraternity in all spheres of life. That is why I have laid so much stresses on them.

I do not wish to weary the House any further. Independence is no doubt a matter of joy. But let us not forget that this independence has thrown on us great responsibilities. By independence, we have lost the excuse of blaming the British for anything going wrong. If hereafter things go wrong, we will have nobody to blame except ourselves. There is great danger of things going wrong. Times are fast changing. People including our own are being moved by new ideologies. They are getting tired of Government by the people. They are prepared to have Governments for the people and are indifferent whether it is Government of the people and by the people. If we wish to preserve the Constitution in which we have sought to enshrine the principle of Government of the people, for the people and by the people, let us resolve not to be tardy in the recognition of the evils that lie across our path and which induce people to prefer Government for the people to Government by the people, nor to be weak in our initiative to remove them. That is the only way to serve the country. I know of no better. ■

Laid to rest at Shangri-La

The end of G-2 and the quest for a regional security framework

geopolitics



Photo: Matthew R White/US Navy

If there was one big message from this year's Shangri-La Dialogue, the annual Asian security conference held in Singapore, it was the quiet burial of the G-2. Last year's exuberance surrounding the idea that the United States and China could attain seamless geopolitical co-operation on diverse issues has finally been overwhelmed by a realistic re-assessment by Washington.

What explains this new image of US-China relations? First, it is now clear that China misperceived the US quest for a broad-based co-operative entente as a sign of weakness, which emboldened an already confident Beijing to assert itself diplomatically. To be sure, the West's narrative for a G-2 itself was flawed, since it was based on the naïve assumption that a US-China partnership could be constructed without actually ceding strategic space to a rising China, especially in the Western Pacific. The Chinese, while they relished the accommodative 'Chimerican' spirit of Obama's first year in office, were unwilling to actually expend resources

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and diplomatic capital on solving questions that were viewed as inherently American problems: Afghanistan, Iran, North Korea, economic imbalances, climate change, etc.

Second, it seems that the post-economic crisis phase has affected the internal balance of influence on US's China policy. The Obama administration appears to be rebalancing its China policy, which until the financial crisis was dominated by a coalition of business and financial interests, towards a more co-ordinated approach that now includes the security community or the Pentagon as a growing stakeholder. Arguably, the first group's bargaining power has diminished within the US national security hierarchy.

Further, given the *national* imperatives of reviving growth across the world economy where states like the United States, China and others are scrambling for new export markets, including market access vis-à-vis each

across Eurasia, which includes other important actors like Russia and India, along with the latent and open contradictions between the US and China have altered the trajectory of US-China relations and devalued its supporting G-2 narrative. The US-China equation has now reverted to one based on the actual balance of power between the two sides.

This was the general backdrop to this year's Shangri La conference.

The *Cheonan* incident—where a North Korean submarine allegedly sunk a South Korean warship earlier this March in disputed waters in the Yellow Sea between the two Korean rivals—added another layer of dissonance in North East Asia. Regional alignments appear to have been reinforced by the *Cheonan* incident. Continental China was impelled to support its North Korean strategic buffer and the frontline maritime states rallied with the US.

The drift in US relations with Japan and South Korea has also been broken and both allies have sought to reaffirm their security arrangement with Washington. Washington also found an opportunity amidst the tension in the Korean peninsula to reinvigorate its alliance structure in the region. Robert Gates, US defence secretary, while emphasising America's "Pacific" roots also vowed to "deepen and expand" its "alliances and partnerships" including an assurance on the durability of America's extended nuclear deterrence. On China, Mr Gates defended arms sales to Taiwan as being consistent with Washington's one China policy and a natural response to China's "accelerating military buildup" that "is largely focused on Taiwan". He explicitly blamed Beijing for the recent impasse in bilateral military ties (Mr Gates was denied an invitation to visit China during his Asia tour).

China's representative at the conference, Lieutenant-General Ma Xiaotian, deputy chief of the general staff of the People's Liberation Army, presented the Chinese rebuttal, which put the onus back on Washington for deteriorating military-to-military ties. General Ma, in a thinly veiled reference to Washington, noted that "a Cold-war mentality still exists, as is often shown by efforts to strengthen military alliances via new technologies, the threat to use force in international relations...if anyone has been setting up barriers to co-operation, it is certainly not us". He singled out arms sales to Taiwan and "the intense spy and patrol behaviours of US planes and ships in South China Sea and East China Sea" as the main obstacles to Sino-US

The US-China equation has now reverted to one based on the actual balance of power between the two sides.

other, to raise aggregate demand and employment at home, it is unlikely that the pre-crisis equilibrium of China exporting its way to glory can be restored. In sum, competition in the economic sphere has added a new dimension to Sino-American interactions.

The elevation of the US military establishment as a growing voice in US-China relations was signaled by the relative firmness that Washington recently showed on issues such as arms sales to Taiwan, which despite being an old question was initiated to dispel Chinese perceptions of a major global power shift that entitled Beijing to assume a more active foreign policy. For example, this March, it was reported that Chinese officials told two visiting senior US administration officials that China would not tolerate any interference in the South China Sea, labeling it for the first time as a "core interest" for China. Beijing seems to be probing to discover if it can extract greater space from the United States in East Asia and the Western Pacific, but Washington has so far been unwilling to accept a change in the status quo.

Finally, the complexity and geopolitical plurality

military cooperation.

The Chinese are apparently on the defensive and seem to be concerned about a renewal of the “China threat” theory across the region. But this raises the question: was it not China that decided to challenge Deng Xiaoping’s mantra of maintaining “humility” and becoming too eager to gain the spotlight?

Geopolitical flux

Shiv Shankar Menon, India’s national security advisor, captured the contemporary power transition when he remarked that “Asia is witnessing the simultaneous rise of several powers, each convinced that its position relative to the others will improve rather than worsen in years to come.”

There are three trends worth tracking. First, a direct outcome of Shangri La 2010 is the ASEAN Defence Ministers’ Meeting-Plus 8 (ADMM+8): The gathering of ASEAN defence ministers and their counterparts across the Asia-Pacific—US, Russia, China, India, Japan, South Korea, New Zealand, and Australia—this October in Hanoi will be an important step in the process toward evolving an inclusive security architecture for Asia. The proposal is for the group to meet every 3 years. ASEAN’s neutrality and its geopolitical location on the cusp of the Indian Ocean and Pacific regions has made it the natural fulcrum for evolving pan-Asian institutional arrangements and Mr Menon was positive on this point.

Second, the military balance in the South China Sea: China’s efforts to push for more geo-strategic space in the first island chain—comprising Japan, South Korea, Taiwan, and the Philippines, where the majority of US commitments hinge and forward bases including 70,000 US troops are located—will bring

friction with the United States in the Western Pacific. In recent years, China’s military doctrine has been laying a greater emphasis on developing asymmetric capabilities that are premised on constraining and denying US power projection and military access into the South China Sea as well as targeting key US bases in South Korea and Japan. Consequently, a change in the regional military balance is likely to persuade China to seek a larger role in the Western Pacific. The United States, however, appears unwilling to contemplate a change in the status-quo. How both sides manage this growing security dilemma will directly impact the Sino-American equation and the overall security environment in East Asia.

Third, is the geo-economic flux: Though as a more medium-term trend, the nature of the global recovery—whether Asian economies can rebalance their export dependence on Western consumer markets by increasing intra-Asian trade and indigenous aggregate demand—will shape the overall relationship between China and its periphery. If an economic “de-coupling” scenario does begin to develop, it seems reasonable to project that regional foreign policies will reorient toward a new posture.

Relative power shifts invariably influence threat perceptions and even exacerbate the security dilemma between states. It is during such a period of adjustment—the search for a new status quo—that the shadow of conflict is always in the foreground. While institutional arrangements have never prevented inter-state conflict, their role as a mechanism to reassure and address conflicts of interests cannot be discounted.

“Whether Asian states will be able to build such a security architecture,” as Mr Menon remarked, “will be a real test of our wisdom and skill”. ■

A lot more than a border

A conversation on the role of the media in India-China relations with Pallavi Aiyar



Photo: Okinawa Soba

NITIN PAI

Pallavi Aiyar, currently *Business Standard's* correspondent in Brussels, spent six years in China as an English teacher and as a correspondent of *The Hindu*. Her book *Smokes & Mirrors - An experience of China*, reviewed in the November 2008 issue of *Pragati*, offers one of the best contemporary Indian accounts of the changes in China during the early part of this decade. Here is a conversation that started during a recent workshop on the role of the media in India-China relations.

Nitin Pai: There used to be—and there is to some extent—a perception in India that what comes out in the Chinese media is the view of the Chinese government. Certainly Mao Zedong was known to have vetted the editorials in the People's Daily during the India-China tensions in the late 1950s and 60s. To what extent is such a perception still valid?

Pallavi Aiyar: The Chinese media landscape is an increasingly complex one and a far cry from Maoist times. A multiplicity of media

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operate today ranging from fully controlled party papers like the *People's Daily*, to more independent and critical regional media like *Nanfang Zhoumo* (Southern Weekend) in Guangzhou, and racy, tabloid papers that operate as purely commercial enterprises. There are also a variety of specialist publications focused on finance, business or the environment that increasingly attempt an independent line and push the envelope against government censorship.

That said, foreign affairs and China's international relations remains a subject that is strongly controlled by the government and independent writings on the topic are forbidden. Even today central and regional propaganda departments send weekly (and sometimes daily) instructions to all media outlets about subjects deemed taboo. Editors who transgress orders are, depending on the assessed severity of the violation, warned, demoted or fired.

Writings on India in the Chinese media therefore almost always have official sanction even if they do not always reflect the government's official position. This is equally true of Party media and so called independent media like the *Global Times* (which is in fact controlled by the *People's Daily* group).

Since the Party is not a monolith, differing opinions on India in the Chinese media reflect the differing shades of opinion within the Chinese government. However, although it is often claimed otherwise by the Chinese, they do not simply reflect the opinion of the author.

The internet and blogs are an altogether different kettle of fish. These are not routinely subject to propaganda department orders. If a blog is discovered to be overly transgressive the government is able to either shut it down or have the "offending" material deleted. However, there can be considerable gaps in time before the publication of an unauthorised article and its discovery. Moreover, the writings on a blog are more likely to reflect the personal opinion of the writer rather than that of the government or a faction of the government.

How about the other way around: how much do views expressed in the Indian media (by mediapersons and analysts) affect Chinese perceptions of Indian government policy?

The Chinese monitor Indian media carefully and the coverage of Sino-Indian developments is seen as a key indicator of the strategic "pulse" in India. There is an awareness that media in India can often take a

standpoint that is different or even contrary to the government line. On the other hand there is also the belief that media do not invent stories out of thin air and that they are usually based on leaks from within the government or military establishments. There is less understanding of the extent to which media in India, particularly television, is driven by the competition for ratings and the tendency towards sensationalism this generates. The idea that the media can create out of what might originally have been a "genuine" story, a run-away monster over which the authorities have little control, is not something the Chinese have an automatic grasp of. The danger of a misreading of Indian media is therefore a significant one and can create a backlash at the policy level.

Writings on India in the Chinese media almost always have official sanction even if they do not always reflect the government's official position.

The Chinese are also aware of the difference between news coverage *per se* and the comments and analysis that are usually written by strategic pundits. The latter are taken particularly seriously since it is known that the writers are often also strategic advisors to the government.

We've seen "internet nationalism"—wherein seemingly ordinary Chinese netizens express hardline positions—in recent years. Would you say there is official support for this, or is the Chinese government riding the tiger?

The Chinese government is in the constant act of riding a tiger, or to use another metaphor given the Chinese excellence in acrobatics, walking a tightrope. The fine line they tread is between allowing new freedoms while remaining firmly in control. The internet has emerged as possibly the most illustrative example of this.

The internet has been used by a range of dissidents, rights activists, environmentalists and

so on to organise and publicise view points that are contrary to official Chinese policies or practice.

But for the Chinese Communist Party (CCP) overly heavyhanded censorship of the internet would alienate the very constituency (urban, educated, middle class) that it has cultivated as its main support base in its post-reform, Deng-inspired avatar.

Thus for example, last summer the central government issued a directive that required all personal computers in China to be fitted with software (called Green Dam) that would facilitate the censoring of certain websites and internet content. But ultimately this directive was put on indefinite hold a few weeks after it was issued, following a massive outcry amongst China's netizens. The internet has thus emerged as a contested space which presents

The danger of China misreading the Indian media is significant and can create a backlash at the policy level.

the CCP with both a threat and an opportunity. On the one hand it enables networks that can circumvent and thus break the party's monopoly on information. On the other, public opinion as expressed in internet chat rooms is also an important feedback mechanism for the CCP, a means to test the pulse and mood of the nation.

It is against this background that China's nationalist youth (*fenqing*) and their blog postings must be understood. The Chinese government encourages them to use this space as an outlet for venting their frustrations. Nationalism is useful for the Party since it directs the energy and anger of the youth away from anti-Party sentiment and towards a goal, "nationalism," that both the Party and the youth claim to share. However, there is always the danger that this nationalism can spin out of control and obstruct Chinese government policy. The authorities thus walk the tightrope between permitting individual expressions of nationalism and reining it in when it is deemed as overly virulent or counter productive to national policy.

On a different point, what explains the relatively little interest in the Indian media with regard to stationing correspondents overseas in general, and in China in particular?

India is a continent-sized country and generates copious quantities of domestic news. Also for decades we were a semi-autarky with scant economic linkages to the outside world. Finally, Indian media was for long, a particularly under-resourced industry. The combined impact was that foreign news found little space in the Indian media landscape. The cost and effort required to post a correspondent overseas is huge, needing a financial commitment several times that of a regular reporter. However the financial benefit generated by the news reports of that correspondent were and to an extent are even today unlikely to be commensurate to the cost. Thus from a purely economic perspective it is not particularly attractive for Indian media at the moment to station foreign correspondents.

However, the situation is gradually changing. An influx of advertising related money, an audience with an increasingly global mindset and a government that is becoming more involved in global political and economic issues means that the space for foreign coverage is increasing.

In China, less than a decade ago, only one Indian correspondent from PTI serviced the entire country. Today we have correspondents from PTI, the *Hindu*, the *Times of India* and the *Hindustan Times* based in Beijing and the number is set to grow.

The real challenge today is to find reporters with domain expertise. Those who speak the language and understand the history and culture of the countries they may be posted in. This is a lacuna that can only be remedied with an overhaul of the educational system in India. It is a long term process. But the logic of economics is likely to see it come about. Once media organisations have a better trained pool of talent to choose from, it's likely they will be more amenable to posting them abroad, and in China in particular, given the latter's strategic importance to India and the Indian audience's general fascination with its more successful neighbour.

China is making a push to promote its viewpoint across the world by expanding the international footprints of Xinhua and CCTV-4, although it is hard to stifle a yawn when you consume their reports. Where do you think this is heading?

Chinese strategists have spent much time devising ways in which to expand their soft power. There is a perception that China is misunderstood and misrepresented by the current global media players which have a “biased” western view of the country’s rise and development.

Spreading an understanding and appreciation of Chinese culture is thus seen as a vital part of China’s foreign policy. It is to this end that Beijing has set up hundreds of Confucius Institutes around the world to teach Mandarin and other courses related to Chinese history and civilisation.

Extending English language Chinese media’s reach globally is a part of this policy. CCTV-9 has already been available in many countries via satellite, including the United States for several years.

Xinhua’s new TV channel will be broadcast in Europe, the United States and Africa by the end of the year. It has a huge budget and will be technologically slick, following the Al Jazeera model of hiring internationally.

The Chinese government has earmarked 45 billion yuan (6.5 billion dollars) to fund the expansion of groups including Xinhua, CCTV and China Radio International.

They are unlikely to have a significant impact in the short term. But as China’s global clout increases and thus the interest of the world in the country is piqued, the new channels could prove influential by offering an alternative and easily accessible source of information—one that is “managed” by the Chinese authorities and thus likely to cast Chinese policies in a more positive light.

Thus, for example, instead of framing China’s Africa policy in the neo-colonialist mould that western analysts tend to, Chinese media would probably showcase the infrastructure investments that China is making in the continent, in contrast to the one-way extractive nature of western involvement in Africa.

With the help of internationally trained media professionals it is possible that China’s new global media may become at least as watched and influential as Al Jazeera English is today, if not more, particularly in the non-western world.

On the balance, what has been the impact of the Indian media on India-China relations? What about the Chinese media?

Given that the Chinese media is not independent but government controlled, assessing its impact on

India-China relations as an autonomous actors is difficult. I will therefore focus on the impact of the Indian media on the relationship.

Regarding the latter it is difficult to escape the conclusion that the overall impact on India-China relations has been negative. However, it’s not as if the Indian media has created the tensions that plague bilateral ties. Rather the media acts as a force multiplier, playing up and exacerbating already existent problems. A misreading of Indian media as an extension of Indian policy or governmental intentions has also helped strengthen the hand of more hard-line factions within the Chinese establishment. The result is the recent upping of the ante on the border issue that has caused somewhat of a deterioration in the relationship. But it must be kept in mind that this deterioration is also occurring independently

It is difficult to escape the conclusion that the overall impact on India-China relations has been negative.

of the media, largely because the current border negotiations have hit a cul-de-sac.

After years of talks, it has become increasingly difficult to skirt the real issues and so the time for both sides to reveal their cards is nigh. However, in the current scenario there is little that China gains from solving the border dispute with India, while the Indian government lacks the political legitimacy and strength required to make any significant concession on the matter. The result is a stalemate that is not a media creation but merely reflective of the fact that at present India and China confront serious issues they lack the will and resources to solve.

That said, the constant focus on the border and scare mongering by ill-informed reporters on the Indian side is scarcely helpful. What is missing are journalists with domain expertise writing informative and entertaining first-hand accounts of the dynamic social and economic forces at play in contemporary China. There is a lot more to India and China than the border. The India-China relationship could only benefit from a media that is cognisant of this. ■

From post-war to post-conflict

Sri Lanka's political trajectory is worrisome



Photo: Hafiz Issadeen

**PAIKIASOTHY
SARAVANAMUTTU**

A year after the military defeat of the LTTE, Sri Lanka is faced with the challenge of moving from its current post-war state to a post-conflict one. This entails that the sources of the conflict that plagued the country for over three decades are not sustained and reproduced. The priorities should be: peace via a political settlement; reconciliation through ameliorating the plight of the Internally Displaced Persons; the reversal of the culture of impunity promoted by human rights violations; and promoting unity by resisting the assertion of majoritarianism.

However, current government policy is on a different trajectory, in which economic development is posited as the panacea to achieve peace, reconciliation and national unity. In this perspective, economics is not only given precedence over politics but it is assumed that economic development will blunt political aspirations and grievances. Civil and political rights are at best considered irrelevant or of secondary importance and in extreme cases, downright subversive. In pursuing economic development with the same single-minded purpose it pursued military victory, the Rajapaksa government also intends to change the political culture of the country from the more boisterous and pluralistic one shared with India—characterised by an implicit faith in democratic norms and

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traditions—to a more disciplined and monolithic one along the lines of some South East Asian states, with their over-emphasis on the economic and suppression of the political.

While the end of the war has ensured an increase in economic activity, it is by no means assured that the expected post-war boom will underpin the government's ambitious plans to make Sri Lanka a key economic hub of South Asia. The economic developments projects for the North and East, designed and implemented from Colombo with little or no local consultation, arouse suspicions about attempts to change the demographic composition through majority community colonisation in the guise of development. The emphasis is currently on tourism and infrastructure, with considerable dependence on Chinese and Indian assistance and investment. The government has also taken a substantial IMF loan which entails considerable reduction in the budget deficit and public spending as well as the re-orientation of economic ties towards Asia's emerging powers.

It is assumed that economic development will blunt political aspirations and grievances.

There appears to be no urgency with regard to a political settlement of the ethnic conflict. The recent focus of constitutional reform has been on the removal of the two six-year term bar on the executive presidency. A resolution of the ethnic conflict revolves around the scheme of provincial devolution ushered in by the Thirteenth Amendment to the Constitution following the India-Sri Lanka Accord of 1987. Despite preliminary talks between the regime and the main Tamil party, the Tamil National Alliance, there has been little progress on the subject of devolving more powers to the provinces within a united Sri Lanka and its current unitary constitutional framework.

The situation of the IDPs, though far removed from their incarceration in camps in tens of thousands immediately after the war, is far from settled. Some 30,000 out of the initial 300,000 still remain in camps along with another 10,000 surrendered fighters, who have been denied access to the international Red Cross. The majority of those let out of the camps is in transit camps and host families, since its return to homes is hampered by the slow pace of de-mining operations, establishment of military high-security zones and problems related to proof of land ownership.

The government's unwillingness to reverse the culture of impunity in dealing with human rights violations—fuelled by allegations of war crimes by both sides in the last days of the war—is at the heart of the criticisms leveled against it by local and international civil society organisations. The UN Secretary General has set up a panel to advise him on this issue in the face of strident objections from the Rajapaksa government. A leading cabinet minister led an attempted siege of the UN compound in Colombo and embarked on a fast to death unless the panel was disbanded. The UN Secretary General, however, stood firm and the fast was abandoned after two days. Sri Lanka has also lost the European Union's GSP Plus preferential trade concessions after failing to ratify and effectively implement 27 international human rights instruments and labour standards.

The Rajapaksa government's response has been to allege infringements of national sovereignty by the West and Western resentment of Sri Lanka's defeat of terrorism. It points out that these criticisms are unfair since it has established a Presidential Commission on Lessons Learnt and Reconciliation (LLRC). Sri Lanka, however, has a dismal past record on such commissions. Their reports are neither made public nor their recommendations adopted. This has been the case with at least two high profile commissions on human rights violations in the last five years. One of them had an international panel attached to it, which quit in frustration after identifying the Attorney General's (AG) office—the AG headed the LLRC—as a key obstacle to their work. The current LLRC has neither any investigative powers nor a witness and victim protection scheme.

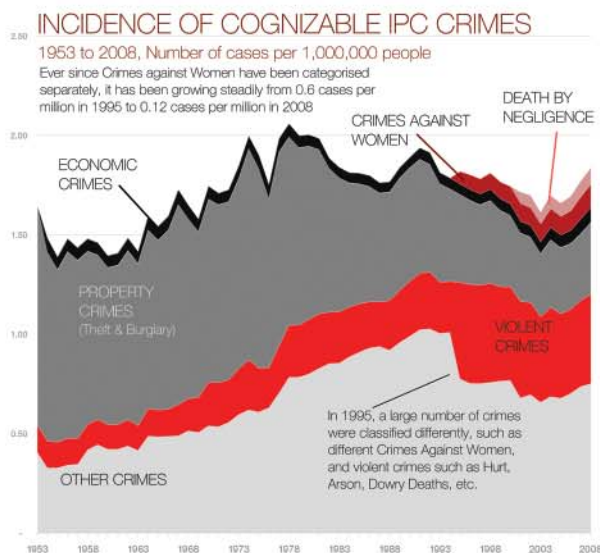
The regime's hyper-sensitivity on the issue of accountability is a major driver of its closeness to China, Russia and Iran. This has raised questions about Beijing's intentions in the Indian Ocean region and of Sri Lanka being turned into the site of Sino-Indian strategic competition. Notwithstanding the attempts to downplay the same, India's role remains pivotal to the process of a political settlement of the conflict. The Rajapaksa government, for its part, has steadfastly maintained that its relations with Delhi are founded on age-old cultural bonds and geo-political realities whereas Chinese interests in Sri Lanka are economic—assistance for infrastructural development—rather than military.

Peace without unity, unity without reconciliation, and reconciliation without accountability—these are the dilemmas that both the government and society will have to bridge if Sri Lanka is to fully grasp the historic opportunity presented by the end of the war. Only then can Sri Lanka transform from a post-war environment to the post-conflict period of growth and reconciliation. ■

Charge Sheet

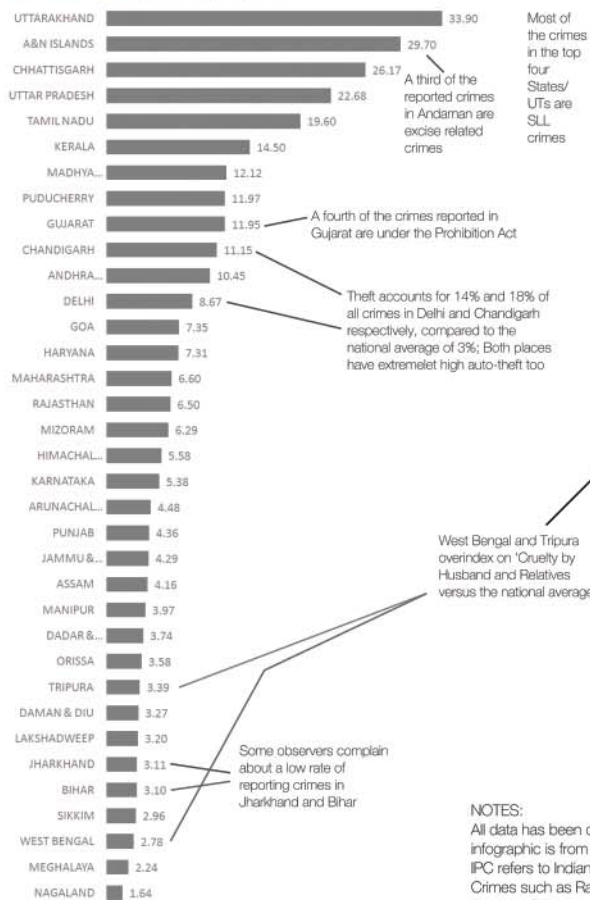
Delving into crime records

DIBYO HALDAR



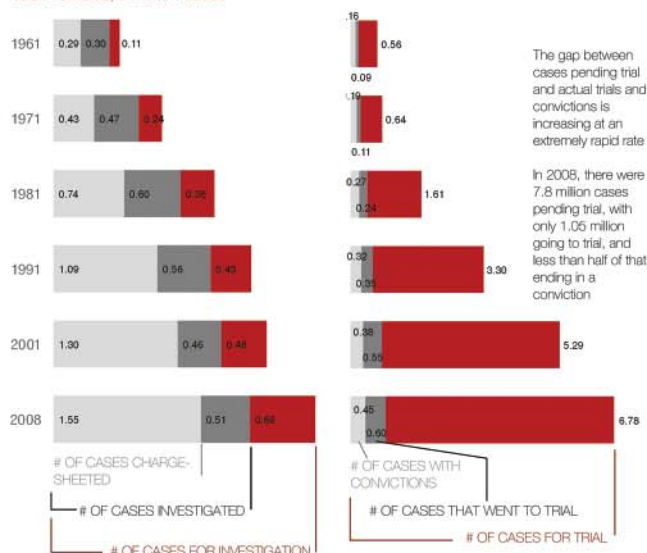
TOTAL CRIMES (IPC + SLL) REPORTED IN 2008

Number of crimes per million people



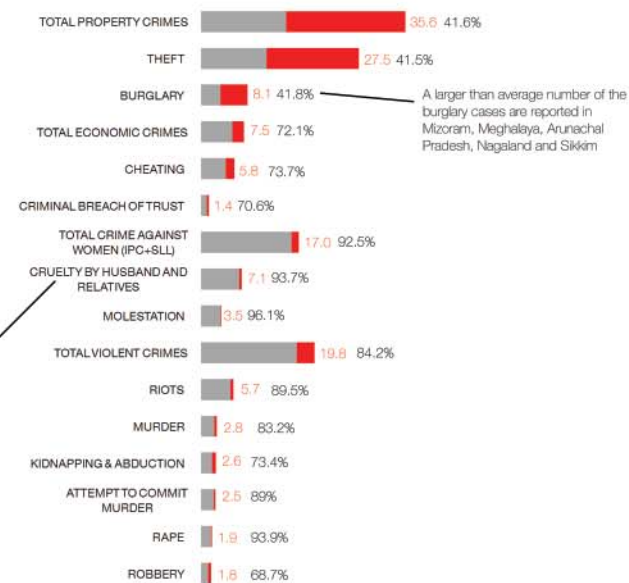
DISPOSAL OF CASES BY POLICE & COURTS

1961 to 2008, in million cases



COMMON CRIMES REPORTED IN 2008

Number of crimes per million people



NOTES:

All data has been obtained from the National Crime Records Bureau at <http://ncrb.nic.in> - most of the information in this infographic is from the 2008 report

IPC refers to Indian Penal Code, and SLL refers to Special and Local Laws

Crimes such as Rape and Dowry Death are included with Violent Crimes and not among 'Crimes among Women' as per the classification used

Inflation is the tip of the iceberg

economic
policy

Without reforms, the economy is not ready for more than 8 percent



Photo: David Trattig

It has become commonplace to see many senior government officials confidently predict a double-digit growth rate for the Indian economy in the near future. They must exhale. India is not ready for it yet, not based on what they have done in the last six years. It is not impossible, but they must work at it.

The Asian obsession with growth

There are many reasons for India to pursue a high growth rate. One, China's growth rate continues to remain high and is a source of pride for that nation and admiration for the rest of the world. Two, not just China, but all of the East Asian 'Tiger economies' were, at one stage or the other, fast-growing economies. So, if one were an Asian nation, then one has to grow fast. Growth has become an obsession with many states—big or

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small. India is proving to be no exception.

You might take exception to the tone of the previous paragraph. It suggests disapproval. After all, for years, economists were hoping and wishing that India would focus attention on growth rather than on distribution because without growth, there is nothing to distribute. One cannot ferret stuff out of an empty vessel. Now that the Indian State is setting its sights on growth, we are back to criticising it. Cannot they ever get it right? *Prima facie*, this exasperation appears justified. But not much beyond that.

There are two aspects to any growth objective. One is not to deviate too far from the potential growth rate as it stands—neither too much below nor too much above it for too long. The other is to keep improving the potential growth rate of the economy. Currently, the Indian government's growth strategy is failing on both counts. Well, at least, until very recently.

Estimate of potential growth is between 7–8 percent

In an IMF working paper published in 2004, Dani Rodrik and Arvind Subramanian estimated that

Supply bottlenecks place a cap on the growth that the economy can achieve without increasing inflation.

an annual GDP growth rate of 7 percent was easily achievable. The implicit assumption was that such growth would be sustainable, without upward pressure on prices. In its annual report for the year ending June 2009, the Reserve Bank of India estimated India's potential GDP growth to be around 8 percent and attributed it to "investment spurt and reform related productivity gains." There was no substantiation of these causal factors.

India achieved an average growth rate of 7 percent this decade, with the five years up to March 2008 generating an average growth rate of 9 percent. It was partly due to an increase in corporate and public sector savings because, on paper, the government's fiscal deficit shrunk in that period despite a massive expansion in public entitlement programmes. However, global commodity prices rose, domestic wages rose

and the inflation rate spiked up in 2007-08 before the global crisis brought both growth and inflation down in 2008-09.

Persistent rise in cost of living exposes growth ceiling

If the sustainable growth rate of the economy was 8 percent according to RBI, targeting a growth rate of 9 percent or above is an invitation for a rise in prices. That is what is happening now in India. Despite the attempt to pass off the spike in prices as food and agriculture related, non-food inflation is running at a rate of above 7 percent. Overall inflation, as indicated by official consumer price indices with all their flaws, has been running well above 10 percent for quite some time now.

Despite the fact that economic growth up to 2008 was driven by gross fixed capital formation and that it was accompanied by an improvement in government's fiscal balance in that period, the spike in the inflation rate and its persistence confirm that capital formation did not alleviate India's supply bottlenecks. New capacity was not added and existing capacity was not better utilised.

Decelerating output growth in infrastructure industries

Output in the six infrastructure industries—electricity, coal, finished steel, cement, crude petroleum and petroleum refinery products—registered noticeably slower growth in 2007-08 and 2008-09. In particular, generation of electricity—the key ingredient for all sectors—has been rather worryingly poor in the Eleventh Plan period (2007-12). According to RBI's annual report 2008-09, the deficit in power supply has expanded from 8.5 percent in 1992 to 12 percent in 2008-09.

Narrowing this down further, thermal electricity generation was around two-thirds of the target during the Tenth Plan period. In the first two years of the Eleventh Plan Period, it was a meagre 16.2 percent. The shortfall was starker in 2008-09 with capacity addition being a pitiful 4.4 percent of the target. In other words, India is not yet capable of achieving a growth rate of above 8 percent in a sustainable, non-inflationary manner. Further, there has been a shortfall in the targeted capacity addition for electric power both in the Tenth and in the Eleventh Plan periods.

The annual compounded growth rate in the output of the six infrastructure industries was 6.7 percent during the five-year period ending March

2008. It was at a time when the Indian economy grew at a rate of 9 percent. The mismatch has only worsened further. The trailing annual growth rate in the output of these industries for the five-year period ending March 2010 has further decelerated to little over 5 percent now. This places a cap on sustainable growth that the economy can achieve.

Coveting both quantum and quality of economic growth

This worrisome state of affairs in the hard infrastructure areas is matched by gaps in soft infrastructure such as education and supply of skilled labour. While the government appears keen, in principle, on bringing about a drastic change in the manner in which the poor children are educated, it is still seeking to achieve it through the agency of government, for the most part. The failure of government schools in education is well-documented and is a feature of many developing countries in Asia and Africa, with the exception of China.

Private schools that are currently stepping into the breach in the education of poor children are now at a risk of being de-licensed within a certain period, if they fail to provide the infrastructure that is expected of a school. It would be wiser to require these private schools to tie up with bigger government schools or colleges for a fee, to provide the children the facilities they lack.

This was done in Tamil Nadu when the government introduced the 10+2 system in 1978. Many schools did not have laboratories required for pre-university students. They formed clusters and each cluster was attached to a college that, in turn, provided laboratory facilities to the schools in that cluster.

As for the Indian labour market, the implicit assumption that the demographic dividend would automatically help to deliver a growth rate of 9 percent or more might turn out to be misplaced for the long-term as it is, for the present. In their latest annual report on the labour market, TeamLease, a staffing company, and Indian Institute of Job Training, a vocation training provider, cover in detail the mismatches in education, geography and sectors between what employers want and what India's labour pool has to offer either now or in the future, based on continuation of current trends.

According to the report, while 12.8 million people enter the labour force every year, training

capacity exists only for 3.1 million. Only one in ten of the 12.8 million had any vocational training and only one in a hundred had formal vocational training.

An uneducated and unprepared labour force is a cost to employer and not a source of productivity and innovation. Hence, India's demography, far from delivering a growth dividend, could drag it lower, if nothing is done about the issues the report raises, in the next five years.

To keep face, government steps in

Let us be clear. These lacunae do not weaken India's case for a high growth rate. An annual growth rate of 8 percent is very respectable these days. India's high savings rate and better capital efficiency will ensure this outcome with little difficulty. However, instead of settling for it, and at the same time working on enhancing the economy's growth potential, the government is likely to take it upon itself to propel such growth through government expenditure geared towards re-distributive policies.

Apparently, the Sonia Gandhi-led National Advisory Council has approved the Food Security Act with the aim of delivering 35 kg of grain per month at ₹3 per kg to every family in the 200 poorest districts, extendable, as feasible, to other districts, and providing 25 kg per month to families that aren't poor. The extension of the Food Security Act to the well-off boggles the mind.

This will raise regular market prices. The supply ostensibly diverted to the Public Distribution System will find its way back into the open market only to be sold at higher prices. The implementation of the Act will increase inflation and thus leave the poor more impoverished. In the meantime, the higher subsidy outgo will count towards economic growth with neither equity nor efficiency achieved.

Instead, the government should add to and follow through on its recent initiatives in energy pricing, national litigation and land titling with reforms in education, agriculture, labour market and more importantly, in governance.

India needs both high growth and high-quality growth. If the government were intent on only delivering the former now, in future, India would enjoy neither. We need to be asking a lot of questions of the government now rather than later. ■

The taxman goes global

Global taxes and India's G-20 agenda



Photo: Earl G

MUKUL G ASHER

The G-20, comprising 85 percent of the global GDP, 80 percent of world trade, and two-thirds of the global population has become an important international economic forum.

Since the 2008 global economic crisis, it has been holding heads of state summits every six months. The declaration of last month's Toronto summit explicitly states that it is their first summit as the "premier forum" for international economic cooperation. India, as a part of G-20, is conscious about its responsibility to contribute to improving global economic and financial governance.

The expectations from G-20 to steer the global economy are high, the task enormous but its authority weak. The G-20's success will depend on its performance collectively, and on the extent of success with which members, such as India, manage their development and governance challenges. G-20 membership therefore does not confer any automatic influence to a country.

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Global taxes

As the global nature of many of the economic and environmental challenges has become more apparent, there have predictably been proposals for global taxes to deal with global issues, particularly those arising out of 2008 global economic crisis, and to help manage impact of climate change. As a premier forum G-20 must consider various proposals for global taxes.

Three examples of such proposals are: a global tax on banks and financial institutions; tax on selected international financial transactions; and carbon taxes on use of energy to manage climate change. Let's consider the first two as the G-20 has until now been more focused on financial sector and transactions taxes.

The main objectives of the taxes on financial institutions and transactions are: first, to recover the fiscal costs of bailing out banks during the crisis; second, to create a fund for similar future situations; and third, to limit volatility and speculative activities.

The G-20 had in 2009 asked the International Monetary Fund (IMF) to submit suggestions for the tax on financial institutions, and on financial transactions.

The IMF submitted its final report, entitled "A Fair and Substantial Contribution by the Financial Sector" in time for the Toronto summit.

Requirements for global taxes

Before discussing the IMF's proposals, it may be useful to consider the key requirements for global taxes. Unless these are met, economic globalisation and consequent cross-border effects of climate change on the one hand, and national tax jurisdictions and policies on the other will continue to constrain the ability to address global challenges.

A truly global tax would require agreement among at least major countries on the following aspects:

The object. Should financial institutions tax be levied only on banks or on all financial institutions?

The base. Should assets or liabilities of the banks be taxed, and if one of the two is chosen, should there be exclusions?

The collection mechanism Which body should be given statutory powers to collect global taxes? Nations guard their tax policy sovereignty and are reluctant to cede such powers to international bodies, resulting in a formidable constraint on levying global taxes. The tax collecting agency must have sufficient powers of enforcement, which given uneven power of different nation states, would be difficult to effectively establish.

Revenue sharing. Revenue from truly global taxes is likely to be substantial. The IMF estimates that a one basis point global tax on stocks, bonds, and derivative transactions could raise \$200 billion every year. However, agreement on sharing such large sums among countries; or among different uses will be difficult.

In all four areas, there are no technically superior choices which could command agreement among reasonable parties. Thus, tax on financial institutions could be levied either on their assets or on their liabilities, with each tax base having cogent arguments to justify the selection. These could be fine-tuned to reflect systemic risks which they pose to the domestic and international financial system.

Efficiency, revenue, and equity considerations however may vary considerably among the tax bases, inevitably bringing domestic and international political considerations in the choices made. It is therefore not surprising that the G-20 members are divided on levying taxes on banks. The United States, Germany, Britain and France back this tax with varying degrees of enthusiasm. China, Canada, Australia, Brazil, and India have reservations. Moreover, while the European Union and some others have been inclined towards creating global taxes, rising powers such as China have opposed such taxes.

The IMF's proposals

Perhaps recognizing the difficulties in reaching consensus on above requirements for global taxes, the IMF Report enumerates proposals made by individual countries. These include schemes for a levy on financial institutions to help pay for the fiscal costs of bailing them out by the respective governments. The proceeds are also used to create funds for better resolution of poorly managed financial institutions in these countries. The IMF's report details significant differences among country proposals, and how differing political economies in these countries may affect final outcomes.

It also recommends a Financial Activities Tax (FAT) on "excess profits" or "economic rents", again levied by the individual countries or regions. It argues that the FAT would not distort economic behavior since normal returns are not taxed.

Since the G-20 summit in Toronto, EU lawmakers have approved tough new rules on restricting bankers' bonuses, to take effect towards end of 2010. As the US proposals are non-mandatory guidelines, there are concerns that regulatory arbitrage, whereby activities

migrate to more lax or light regulatory regimes, may put EU banks and bankers at a disadvantage. It will be interesting to observe the final shape of the EU proposals.

The IMF report does not favor a Financial Transactions Tax (FTT), which can be effective only if levied on a global basis. It argues that FTT does not focus on core sources of financial instability which are institutions and their incentive structures, and not transactions; that it burdens consumers as they hedge financial risks; and is prone to avoidance through financial engineering.

While it does not stress the point, it would be difficult to get consensus among all major financial centres on the base and the rate of the FTT; and on sharing of the potentially large revenues. The IMF has indicated that it is working on a substantial detailed report on the FTT.

The IMF's report therefore stresses the terms such as co-ordination and policy coherence, with mutual interest of countries in ensuring global financial stability and growth as primary motivations for co-operation. These, however, are weak bases for tax treatment of the financial sector, which is both politically and economically powerful.

The issues raised by the IMF's report were therefore, predictably left for discussions at the next G-20 meeting to be held in Seoul this November. Even there, no progress on global taxes on financial institutions or on transactions is expected. There may however be greater

consensus on non-tax related aspects of global financial architecture. South Korea has already indicated that it will include development issues, including emergency loans for developing countries in the Seoul agenda.

India's role

Substantive progress in addressing India's developmental, financial management and governance challenges is a pre-requisite for India to continue to be an influential member of G-20.

India is justified in having strong reservations about global taxes on financial institutions and transactions. However India's activities become increasingly global, many factors will impinge on it, which must be managed with tight strategy, but flexible tactics. Thus, continuing challenges posed to financial stability by excessive short-term financial flows, particularly by institutions, such as government wealth funds, constituting "shadow banking system", must be managed.

Agreement on more prudential regulation of financial actors and activities, and correcting tax advantages in favour of debt financing, are areas where there may be wider agreement among G-20, and India should support such measures. It however must continue the conservative monetary management being pursued by the Reserve Bank of India. At the same time, India must reassign the due importance to substantive fiscal consolidation, something that governments in New Delhi and in the states have failed to do in recent years. ■



In Parliament

On the agenda this month

briefs

The sixth parliamentary session during the UPA government's second term is being held between July 26 and August 27. The government managed to fulfil only a small part of its stated legislative agenda last session, and may attempt to take up some of those bills this session.

It is not clear whether the government would be willing to take up the Women's Reservation Bill in Lok Sabha. The bill was passed by Rajya Sabha in March but several parties that support the UPA government are opposed to the bill. Though the bill will likely muster a two-third majority support with the aid of the BJP and Left parties, the Congress party may be reluctant to offend its UPA allies.

The Nuclear Liability Bill has been referred to the standing committee which is scheduled to submit its report on the second day of the session. This bill sets a mechanism for no-fault liability in case of nuclear incident from a nuclear power plant, and sets maximum liability limit of SDR300 million (about ₹21 billion) with the operator's liability capped at ₹5 billion with the rest to be borne by the Union government. [See the May 2010 issue of *Pragati* for an analysis of this bill]. The BJP and Left parties have opposed the bill, and it would be interesting to see whether the government makes some amendments that address the issue related to the liability cap.

The National Advisory Council (NAC) chaired by Sonia Gandhi has recommended a Food Security Bill. At the initial stage, every household in one fourth of the most disadvantaged districts or blocks will have

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access to 35 kg of food-grains per month at ₹3 per kg. In other districts, a similar facility will be available to vulnerable groups including scheduled castes and scheduled tribes while all others would be entitled to 25kg of food-grains at an appropriate price. There would be a category that would be excluded based on transparent and verifiable criteria. The NAC has recommended that the bill be drafted based on these principles. This bill is unlikely to be introduced this session.

The NAC has also commented on the Communal Violence bill, and recommended several changes. This bill, pending in Rajya Sabha since 2005, increases penalties for crimes committed during communal violence, provides for fast-track courts, and for compensation and rehabilitation of victims. The government may choose to redraft the bill before taking it up in parliament for consideration and passing.

Three ordinances have been promulgated since the Budget Session. The first ordinance supersedes the Medical Council of India with a new board for a period of one year. This move followed the arrest of the head of the council on corruption charges. The second ordinance was issued after a spat between the securities and the insurance regulators related to unit linked insurance products (ULIPs). The ordinance sets up a mechanism to resolve disputes between financial markets regulators, and clarifies that ULIPs and similar products would be regulated by the insurance regulator. The third ordinance amends the Enemy Property Act, 1968 with retrospective effect to keep the enemy property vested with the custodian even if the original owner has ceased to be an enemy, or whose legal heir is an Indian citizen. These ordinances will lapse if parliament does not ratify them.

The Prevention of Torture Bill was passed by Lok Sabha in the Budget Session and is pending in Rajya Sabha. This bill defines torture as grievous hurt caused by a public official with the intent to extract information. Any complaint has to be filed within six months of the act of torture. Prosecution requires prior sanction of the Union or state government to which the accused public official belongs.

Several important bills have been pending for the last few years. In the last session, the agriculture ministry circulated amendments to the Seeds Bill, 2004, but the bill was not discussed. The amendments have addressed many contentious issues including exemption from registration of inter-farmer sale

of seeds and requirement of special approval for genetically modified seeds.

The government has been silent on the bills related to financial markets. These include a bill to provide statutory backing to the pension regulator, bills related to insurance markets, a bill to permit options trading in commodities and a bill to regulate micro-finance institutions. It is unlikely that these bills will be on the agenda during this session.

The finance ministry has issued a paper discussing the feedback on the draft Direct Taxes Bill. Many controversial clauses have been dropped including the minimum alternate tax on assets, tax at withdrawal of certain savings and pension schemes, presumptive tax on house rent, and voiding of double taxation treaties. Given that the finance minister has expressed his desire to bring the new tax structure in force by the next financial year, the revised bill could be introduced this session.

Other than the legislative agenda, parliament will likely discuss several issues of national importance. The opposition will likely raise the issue of pricing of petroleum products following recent policy changes. Though headline inflation as well as food inflation have been creeping down, the current double digit levels could induce yet another discussion on price rise. The proposal to permit FDI in multi-brand retail stores could also be discussed. Other discussion issues could include the recent foreign minister-level talks with Pakistan and the situation in Jammu & Kashmir.

Parliament may also see a rare event—the impeachment of a high court judge. Two cases related to Justice Soumitra Sen of Calcutta High Court and Chief Justice P D Dinakaran of the Karnataka High Court have been referred to inquiry committees. Press reports indicate the inquiry committee looking into the Justice Sen case is close to finalising its report. It is possible that the issue may figure in Parliament this session. In this context, it is important to note that a new Judges Inquiry Bill was introduced in 2006 which has lapsed. Last year, the law minister stated his intent to enact the Judicial Standards and Accountability Bill, but it is yet to be introduced.

The UPA government had announced an ambitious legislative agenda through the President's address in July 2009 and February 2010. While political opposition from allies—as in the case of land acquisition bill—may make it difficult for the government to push through some bills, we hope the government uses this session to redeem at least part of its pledge. ■

The mysterious Sarasvati

An important story about an important river

review essay

In 2003, the Union Minister for Tourism and Culture, Jagmohan, sanctioned ₹80 million to the Archaeological Survey of India (ASI) to search for the river Sarasvati. Though it was an inter-disciplinary archaeological program involving the Indian Institute of Technology and the Birbal Sahni Institution, designed to settle different schools of thought regarding the existence of the river, the venture was seen as “an attempt by RSS inspired historians to liken the Harappan civilisation with the Vedic era.” The project was shelved by the UPA government.

In February 2009, an international conference on the Sindhu-Sarasvati valley civilisation was held in Los Angeles, “to discuss, reconsider and reconstruct a shared identity of the Sindhu (Indus) and Sarasvati cultures, using archaeological and other scientific evidence as well as Vedic literature.” The title of the conference, specifically the use of the word Sarasvati, caused consternation among few Western scholars prompting Ashok Aklujkar, professor emeritus at University of British Columbia to write a scathing rebuttal.

To understand why Sarasvati is a controversial topic in the 21st century we need to look at evidence from a number of sources: tradition, archaeology, literature, geology, and climatology. We need to understand the path of Sarasvati, its life span, and the traditions that arose along its banks that survive to this day. Finally, we also need to look at how Sarasvati challenges the Aryan invasion/migration theory.

In *The Lost River: On The Trail of the Sarasvati*, Michel Danino narrates the river’s tale, assembling it from the reports of Western explorers, Indian scholars, archaeological survey publications, and Vedic texts. Mr Danino

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who was born in France and has been living in India since he was 21, has published papers like *The Horse and the Aryan Debate* (2006), *Genetics and the Aryan Debate* (2005), *A Dravido-Harappan Connection? The Issue of Methodology* (2007) and also the book *The Invasion that Never Was* (2000) debunking the Aryan Invasion Theory.

The lost river

The evidence starts with the most ancient Indian text: the *Rig Veda*. Displaying great familiarity with the Indian North-west the *nadistuti sukta* lists nineteen rivers from the Ganga to the Kurram sequentially from East to West. According to the Vedic tradition, Sarasvati flowed between the Yamuna and Sutlej, a location mentioned in other texts as well. It is described with superlatives: “great among the great”, “limitless, unbroken, swift-moving”, “mother of waters.”

But when British explorers visited the region between Yamuna and Sutlej, instead of “mother of waters”, they found seasonal streams like Ghaggar, Sarsuti, Markanda and Chautang. They observed that the river Ghaggar (called Hakra in Pakistan) was once wider than Sutlej, but it was unclear when. They also noted a local tradition which mentioned westward flowing river which vanished into the desert. Synthesising tradition, the Vedic texts, and the accounts of British surveyors, geologists, administrators, and army officers, Vivien de Saint-Martin, a French scholar, identified the Ghaggar, Sarsuti, Markanda and other small tributaries as part of the Rig Vedic Sarasvati. Many noted European and Indian scholars concurred.

While newspaper reports would like you to believe that the search for Sarasvati started only in the late 20th century, Mr Danino makes it clear that the identification of Ghaggar as Vedic Sarasvati was done more than a century earlier. By 1850, the maps published by the British government reflected this. As early as 1885, the Imperial Gazetteer of India noted that the earliest Aryan settlements were on the banks of Sarasvati and this place was venerated since Vedic times.

The suspicion of those early explorers, that the Ghaggar was once a wide river, was confirmed by geological studies done by a French team in 1985 which showed that copious waters once flowed through the desert region; Geographers like Herbert Wilhelmy suggested that the extraordinary width of Hakra was due to a glacial source. In fact some accounts suggest that the Tons river was Vedic Sarasvati in the upper stretches, which would mean that Ghaggar had a glacial source. But others have argued that the Sarasvati was never glacier-

fed, to which Mr Danino replies that the Vedic texts just mention that it flowed from mountain to sea.

If Ghaggar was not glacier fed, how did it become a Yamuna-like river? The widening of the of the Ghaggar after Patiala has been confirmed by remote sensing; satellite images shows paleochannels from the Sutlej connecting to the Ghaggar. The river was also fed by the Yamuna, through the Chautang river. A combined French and ASI team, after exploring the area of Haryana and Rajasthan in the 1980s, found grey sands similar to the Sutlej and Yamuna in the Ghaggar basin.

Before his death, Sir Marc Aurel Stein, a Jewish-Hungarian explorer who explored the Ghaggar and Hakra valleys, mentioned to Sardar K M Panikkar that his work would prove that the Indus civilisation originated not in Sindh, but in Rajasthan. Panikkar convinced Jawaharlal Nehru to provide a special grant to the ASI to continue work. ASI's work in the Sarasvati valley (their terminology) identified numerous Harappan sites which would not have been possible if the river had already disappeared. Similarly Pakistani archaeologists found hundreds of Harappan sites in the Cholistan desert along the path of the Hakra.

One piece of data in this book stands out; among the 1140 Mature Harappan sites, the Sarasvati basin has 32 percent, Gujarat 28 percent, and Sindh, where Mohenjodaro is located, just 9 percent. Since the vast majority of the sites are outside the Indus valley, isn't it appropriate to call it Indus-Sarasvati civilisation as proposed by S P Gupta and used by J M Kenoyer and Jane McIntosh?

Chronological conundrum

Sarasvati flowing during the Harappan period creates a dilemma. According to standard view established by linguistics, Sanskrit speaking Indo-Europeans reached Punjab many centuries after the abandonment of the Harappan sites in Sindh. Now we have evidence of the Vedic culture and the Harappan civilisation in the same geographical region, during the same period, but with evidence of only one civilisation on the ground. If the Vedic people arrived after 1500 BCE, then Sarasvati would have dried following the tectonic events that affected the course of the Sutlej and Yamuna between the Early and Mature Harappan period. It becomes hard to explain why the Vedic people would cross four major rivers and settle on the banks of a minor stream and call it a majestic river.

In the absence of any new Aryan material culture and with genetic studies discrediting an Aryan invasion/migration, Mr Danino argues that there can only be one

conclusion: Vedic culture was present in the region in the third millennium BCE. Many Indian archaeologists also argue that Vedic people lived along the banks of Sarasvati while it flowed from the mountain to the sea during the Mature Harappan period. Mr Danino, however, refrains from concluding that the Harappans were Vedic people because such a conclusion can only be made after the Indus script has been deciphered.

To maintain the sanctity of the immigrant view—of Indo-European migration around 1500 BCE—various theories have been proposed. One of them suggests that Sarasvati was not in India, but was the Harahvaiti in Afghanistan. Some suggest that the Vedic people were writing about their memories of Sarasvati. According to one historian, Sarasvati as a

river did not even exist, except in the imagination of the *rishis*. Mr Danino takes on a prosecutorial role, asks critical questions, and offers alternative explanations. If Harahvaiti was indeed the Sarasvati, then why did the Aryans transfer its name to a stream which was puny by the time they reached there while bigger rivers like Sutlej and Yamuna flowed on either side or why didn't they transfer the name to Indus, the first river they encountered in Punjab? If Sarasvati was an imaginary river then why was it placed at a specific location with various epics like *Mahabharata* describing it non-allegorically?

Mr Danino reiterates that there is a kernel of truth in ancient texts. In the PBS documentary, *Bible's Buried Secrets*, Carol Meyers, an archaeologist and professor of religion at Duke University mentions that there is tendency to think of ancient texts as either history or fiction with nothing in between. She uses the word *mnemohistory* to explain how the ancients recorded their history. Since the Vedic poets were not writing objective history, it is important for historians to peel through mythology and exaggeration and validate the findings scientifically. If the texts present a consistent tale, which agrees with archaeology, geology, and local tradition, it cannot be brushed away.

The Lost River is not just a compendium of more than a century of scholarship distilled for the layman, but is supplemented by the author's own original research in this field. When he showed slides of altars found in the Harappan site of Banawali (discovered on the bank of the Ghaggar dry bed) to Vedic scholars in Kerala they immediately identified them as Vedic altars used

even now. If a Hindu time-traveled to the Harappan period, Mr Danino writes, he would notice the swastika, lingas, kolams like the ones still drawn in South India, seals displaying yogic postures and humped bulls. Some figurines found in Nausharo had traces of red pigment at the parting of their hair, a custom still practiced by Hindu women. The familiar iconography of Shiva under an arch of fire resembles a Harappan person standing under an arch of pipal leaves. The meeting points between Harappan and Vedic culture are too many to ignore.

In 1990s, while the Harappan city of Dholavira was being excavated by the ASI, an Italian team visited Kampilya in Uttar Pradesh. When the Italian team presented the dimensions of the '*Drupad Kila*' to the team which was excavating

Dholavira, they were surprised since it coincided with Dholavira's dimensions. But the two cities were separated by 2000 years in history. While historians like Romila Thapar make *ex cathedra* pronouncements that there was discontinuity between the pre-Aryan Harappan culture and the later Aryan Gangetic culture, Mr Danino presents evidence to the contrary.

A fair hearing

In *The Quest for the Origins of Vedic Culture* (2004), Edwin Bryant writes that till recently most scholars in the West were unaware that there was an Aryan debate: the issue was considered settled. With exceptions like *A Survey of Hinduism* (2007) by Klaus K Klostermaier and *An Introduction to Hinduism* (1996) by Gavin Flood, very few books mention the debate. But even among those books that do mention this debate, Sarasvati, which challenges the normative view, has not received a fair hearing. In Mr Bryant's book, Sarasvati gets less than 5 pages. Thomas Trautmann's *The Aryan Debate* (2008) has a 50 page abridged version of S P Gupta's article on the Indus-Sarasvati civilisation. Thus it is commendable that Mr Danino has expanded on a rarely mentioned topic.

In the Aryan migration debate, this is a book which challenges the prevailing view politely. The word politely is intentionally used, because in this dispute, questions like who is a Hindu nationalist or a Marxist fundamentalist or a colonial historian have become more important than data. Currently it is like a football stadium filled with academics, politicians, mailing list moderators, and untrained activists all blaring their vuvuzelas; personal insults are common and

**The Lost River: On The Trail
of the Sarasvati**
Michel Danino
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the polite disagreements like in *The Vedic Age* (1951) rare. Thus when a scholar, who has published numerous papers in this area, presents a persuasive argument supported by references, it has to be taken seriously.

As Mr Trautmann mentions in *The Aryan Debate* (2008), there will always be political camps in a charged up issue like the Aryan debate, but that need not hold the truth hostage. He points out that, “the truth of ancient history is indifferent to our wishes, our politics, our religion, in short, our own social and historical location.” To resolve this issue more archaeological and geological studies are called for. For this politicians have to let the

scientists do their job.

The good news is that scientists are silently doing their job. The Sarasvati Heritage Project, over which politicians were feuding, was quietly resurrected by the ASI. The 20th European Association for South Asian Archaeology and Arts (EASAA) Conference which has held recently in Vienna featured a paper which looked into the paleo-channels between the Ganga and Indus river systems, specifically the one adjacent to the major Harappan urban centre of Kalibangan in Rajasthan. It is such scholarly stress tests, not political correctness, that can unveil the mysteries of Sarasvati. ■

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